ABSTRACT

Evaluation of advertising agency (ad agency), either for the purpose of selecting or auditing present agencies may be a traumatic and is at best a time consuming expensive task for the advertiser. This is difficult because the advertiser is actually locating, recruiting, evaluating and selecting another company to be its marketing partner. The problem is compounded by the fact that most managers do not have the experience in finding and selecting advertising agencies and could use some tips to make the process more effective. It is helpful indeed to develop some criteria about what the advertiser’s want and then the advertiser’s tries to match his needs with an agency that has appropriate resources, in short, a marketing partner who will be a good fit for the advertiser. Advertisers usually hire the advertising agencies as they supply the following services: market research, marketing or strategic market planning, media planning /scheduling, creative work, account management, TV film/radio production.

The need for this study arose not only because of paucity of studies in the area of ad agency client relationship in India but also because of the following reasons:

1. Agency/client relationship is a very important but a neglected area of promotion.

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2 It is of prime importance for the advertiser to study the attributes they see as crucial to their relationship with an ad agency to form an overall evaluation of the agency.

3 A long term partnership is necessary for the advertiser to help grow business through effective advertising and for the agency to participate in strategic marketing.

4 To meet the growing need among the advertisers and the ad agency for a continuous monitoring system which would provide a feedback on the efficiency and effectiveness of ad agency services to the advertiser’s marketing activities.

There is a paucity of studies where one can quantitatively determine the factors, given firms organisation and marketing environment, which influence the selection criteria. This thesis, by the way of empirical research aims at studying the strategic aspects of selection criteria used by Indian advertisers when selecting or evaluating an ad agency.

The following objectives are addressed in this study:

1 To determine quantitatively, factors which the advertisers use to assess the capabilities of current and prospective agencies.

2 To examine the relationships between the selection of an ad agency and the firms internal characteristics, specifically, sales revenue, ad expenditure as a percentage of sales and product classification.

3 To address marketing policy implications as a result of 1 and 2 above.

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The study draws on the work of Cagley and Roberts (1984) where the authors studied the selection criteria for the US firms. The study is empirical in nature with an ex-post facto design. A random sample of 380 firms was drawn and a questionnaire was mailed to advertising managers and marketing managers (Source CMIE data base). Respondents were asked to review the list of questions in context of their organisation and marketing environment and their evaluation selection process indicating relative strength of the their beliefs about 25 proposed ad agency attributes. Scale values on the each attribute range from "critically important" to "not important at all." Seventy seven completed questionnaires were returned and served as a data base for the study. The sample consisted of consumer (non durable and durable goods) and industrial firms.

The plan of analysis focused upon two levels of investigations:

1. An analysis of relative importance of agency attributes
2. A preliminary examination of the interrelationships among the attributes

Three hypotheses were formulated based on the discussions with advertising, marketing managers and existing literature. These related to the differences in perceived importance of the ad agency attributes of firms which were classified according to annual sales, ad expenditure as a percentage of sales and self classified
firms as consumer or industrial. The split was made for those firms whose sales equalled or exceeded Rs 3 Billion per year and those whose sales were less than Rs 3 Billion per year. The firms were also split upon advertising rupees as a percentage of sales. The ratios were split at 2% of sales.

Descriptive analysis and testing of hypothesis yields the following inferences:

a) SIMILARITIES IN PERCEPTION IMPORTANCE OF PEOPLE FACTOR - The study strongly affirms the importance of people factor as a criterion measure in the evaluation/selection process employed by a majority of firms surveyed. Key elements that emerge from the data are personnel quality, reputation, integrity, mutual understanding and agreement, interpersonal compatibility and synergism.

b) DIFFERENCE IN PERCEPTION SIZE MAKE A DIFFERENCE - Larger firms when classified by size of sales revenue placed greater importance on market planning, agency stability, marketing philosophy, full range of services. It is concluded that larger firms prefer association with agencies similar in size and capabilities to themselves.

The share of sales revenue allocated to advertising explains variations in perceived importance of attributes, in the sense that firms which have a higher share of advertising expenditure prefer a greater partnership in terms of
interaction and top management participation. On the other hand, firms with relatively smaller advertising to sales ratio place more importance on sales promotion ideas and capability, thus reflecting differences in promotional needs and tastes.

The product classification too has a practical effect upon perceptions reported. The consumer firms strongly feel that the agency should understand the client's business, should have some leverage in buying media, want more creative interaction and input. On the other hand, industrial advertisers feel a stronger need for sales promotion ideas and capabilities. This result should be expected given the variation typically in complexity between consumer markets and industrial markets.

A factor analysis of the data was performed to discover how the 25 variables correlate, thereby determining the underlying dimensions of ad agency client relationship.

The factoring method employed was principal component analysis with iteration and varimax rotation. Eight general factors were derived.

These are as follows:
1. Agency's efficiency and adaptability
2. Agency's scale of operations
3. Creative capability of agency personnel
4. Agency's business management skills
IMPLICATIONS

For the advertiser, results of the study subject to individual firm constraints and situational factors, provide a frame of reference for the evaluations/selection process, particularly regarding how their peers evaluate agency attributes.

For an agency, knowing the attributes commonly employed by potential client and their relative importance should allow agencies to more precisely tailor their efforts towards providing the services that clients want and need, which will enable them to be truly customer driven/oriented service company.

It can be generally concluded that a) "people factor" is the most important criterion measure in the evaluation/selection process employed by a majority of firms, b) firm's internal characteristics i.e., sales, ad expenditure as a percentage of sales and product classification does influence the selection criteria of the advertisers. The thesis concludes with a summary of findings and discussions of the scope for future work in this direction.